



# Debt Market Watch

## Weekly Newsletter

9th September, 2024

### Economic Indicator

Particulars	06-09-2024	30-08-2024	Change
5 Year Indian Govt. Bond (%)	6.75	6.77	-0.02
10 Year Indian Govt. Bond(%) (7.18% GS 2033)	6.85	6.86	-0.01
15 Year Indian Govt. Bond(%)	6.91	6.92	-0.01
Call Money Market (%)	6.25	6.5	-0.25
Brent Crude Oil (in Dollar/barrel )	71.06	77.05	-5.99
US 10 Year Treasury (%)	3.71	3.91	-0.2
UK 10 Year Treasury (%)	3.89	4.02	-0.13
Rupee Vs Dollar	83.99	83.87	0.12
FOREX Reserves with RBI (in Dollar/bn)	683.99	681.69	2.3

### Policy Rates

Repo Rate	6.50%
Standing Deposit Facility Rate	6.25%
CRR	4.50%
Reverse Repo Rate	3.35%

— Adverse + Favor

(Source: Bloomberg/www.rbi.org.in)

DATA	July 2024 (released on 12-Aug-2024)	June 2024 (released on 12-July-2024)	Change
CPI DATA (%) (Monthly)	3.54%	5.08%	-1.54

  

DATA	June 2024 (released on 12-Aug-2024)	May 2024 (released on 12-July-2024)	Change
IIP DATA (Monthly)	4.20%	5.90%	-1.70



### Yield Outlook for the week

The Indian 10 year Benchmark (7.10% GS 2034) likely to move in the range of 6.81% to 6.86%.  
(GEPL Capital Research)

### Interest Rate Futures

IRF OPEN INTEREST (w.o.w)				
Security	Contract	30-Aug-24	30-Aug-24	Change
7.10% GOI 2034	26-Sept-2024	4250	20874	-16624

  

IRF PRICE (w.o.w)				
Security	Contract	30-Aug-24	30-Aug-24	Change
7.10% GOI 2034	26-Sept-2024	101.60	101.63	-0.03

(GEPL Capital Research)

### Auction Scheduled For The Week

Date	Instrument	Expected Security	Nature of Flow	Amount (Cr)
10-Sept-24	SDL	7 States	Auction	13790
11-Sept-24	T-Bills	91 DTB	Auction	8000
11-Sept-24	T-Bills	182 DTB	Auction	6000
11-Sept-24	T-Bills	364 DTB	Auction	6000
13-Sept-24	G-Sec	7.02% GS 2031 (Expected)	Auction	11000
13-Sept-24	G-Sec	7.46% GS 2073 (Expected)	Auction	11000

(Source: www.rbi.org.in)

### Government Security Market Update :

The Indian 10-year benchmark yield ended at 6.8542%, compared with its previous close of 6.8554%. The yield had ended at 6.8647% last Friday and has stayed in 5 basis points range in three weeks as market attention shifts to U.S. economic data expected to influence potential rate cuts. Market are fully pricing in a rate cut of at least 25 bps at the Fed's meeting this month, with expectations for a 50 bps remaining above 40%. Traders have also factored in above 110 bps of rate cuts in 2024. Domestically, outlook on inflation seems comfortable and growth resilience is giving Reserve Bank of India the space to be more patient and only act once the US Fed has begun its rate cutting trajectory. During the week eleven states sold 5-26 years of loans in the range of 7.06 to 7.25% and in the weekly Treasury bill auction the Reserve Bank of India sold 91; 182 & 364 DTB at a yield of 6.6301; 6.7261 & 6.7153% respectively. In a weekly auction the government sold 7.02% GS 2027; 7.23% GS 2039 & 7.34% GS 2064 at a yield of 6.9082 & 7.0157% respectively. The yield on the 7.10% Government bond due April 2034 fell to 6.8542% from 6.8647% last week.

### Global Debt Market Update:

U.S. 10-year Treasury yields fell to a 52 week low on Friday before paring back in choppy trading as August's payrolls report failed to offer a clear signal on the size of an expected Federal Reserve interest rate cut later this month. U.S. 10-year Treasury yields were last down 2.5 basis points at 3.708% and earlier fell as low as 3.648%, the lowest since June 2023. Interest rate-sensitive two-year yields fell 10.6 basis points to 3.646% and reached 3.595%, the lowest since March 2023. The closely watched yield curve between two- and 10-year notes was at 6 basis points, the steepest since July 2022. Nonfarm payrolls increased by 142,000 jobs last month after a downwardly revised 89,000 rise in July. The unemployment rate fell to 4.2%, from 4.3% the prior month. Fed policymakers on Friday said they are ready to lower interest rates at the U.S. central bank's meeting in two weeks, with one of them saying he could support back-to-back reductions, or a bigger cut in borrowing costs, should the cooling labor market need support.

### Bond Market Ahead:

Weak macro-economic data at U.S. and lower inflation at domestic level may escalate the rally further in the Indian bond market and 10-year benchmark yield may head towards 6.80% before the FOMC meet on September 17-18. The Fed expected to deliver its first rate cut on September 18 and majority of the analyst expecting 25 bps rate cut and few are expecting 50 bps. International crude oil prices have been on a broader downtrend and crashed nearly 20 per cent in the last 12 months due to a demand-supply imbalance in the market, even as the Organisation of Petroleum Exporting Countries and its allies (OPEC+) eye price stability. According to experts, benchmark Brent crude futures is unlikely to touch the \$100 mark until and unless there is an escalation of the Middle Eastern war turning into a full-blown war involving major producers in the region. US government data showed employment increased less than expected in August. Still, a drop in the jobless rate to 4.2 per cent suggested an orderly labor market slowdown that may not warrant a big interest rate cut from the Federal Reserve this month. Concerns around Chinese demand also kept pressuring oil prices. Brent crude futures were down \$1.63, or 2.24 per cent, to \$71.06 a barrel, their lowest level since Dec. 2021. US West Texas Intermediate crude futures fell \$1.48, or 2.14 per cent, to \$67.67, their lowest since June 2023. Lower crude oil is very much beneficiary for the Indian bonds as it will provide room to the RBI MPC to lower the rates.

### Bond Strategy:

- Buy 7.10% GS 2034 around 6.85 to 6.86% with a target of 6.81% and a stop loss of 6.90%.
- Buy 7.34% GS 2064 around 7.01 to 7.02% with a target of 6.97% and a stop loss of 7.05%.

(Source: Bloomberg, GEPL Capital Research)

### Economic Calendar

DATA	DATE
Japan GDP Data	09-Sept-2024
Chinese CPI Data	09-Sept-2024
Swedish IIP Data	09-Sept-2024
Swedish GDP Data	10-Sept-2024
German CPI Data	10-Sept-2024
Spanish IIP Data	10-Sept-2024
OPEC Monthly report	10-Sept-2024
Italian IIP Data	10-Sept-2024
Brazil CPI Data	10-Sept-2024
GBP GDP & IIP Data	11-Sept-2024
Portuguese CPI Data	11-Sept-2024
US CPI Data	11-Sept-2024
Russia CPI Data	11-Sept-2024
Swedish CPI Data	12-Sept-2024
Spanish CPI Data	12-Sept-2024
Hong Kong IIP Data	12-Sept-2024
Irish CPI Data	12-Sept-2024
India's CPI & IIP Data	12-Sept-2024
ECB Interest Rate Decision	12-Sept-2024
US Jobless claims	12-Sept-2024
Fed's Balance Sheet	13-Sept-2024
India's WPI Data	13-Sept-2024
French CPI Data	13-Sept-2024
Russia's Interest Rate Decision	13-Sept-2024
Russia GDP Data	13-Sept-2024

(Source: Bloomberg)





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